

**BOARD OF EQUALIZATION****BUSINESS TAXES COMMITTEE MEETING MINUTES**

HONORABLE JOHN CHIANG, COMMITTEE CHAIR

450 N STREET, SACRAMENTO

MEETING DATE: JUNE 25, 2003, TIME: 9:30 A.M.

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**ACTION ITEMS & STATUS REPORT ITEMS****Agenda Item No: 1****Title: Proposal to Address, on Certain Franchise Tax Board Returns, the Subject of Use Tax Obligations Related to Purchases from Out-of-State Retailers****Issue/Topic:**

Should a line be added to Franchise Tax Board (FTB) returns regarding use tax obligations related to purchases from out-of-state retailers?

**Committee Discussion:**

Action 1 – Add a line to Franchise Tax Board returns regarding use tax obligations related to purchases from out of state retailers

Staff introduced the topic and requested that staff be allowed the flexibility to adjust the specific language to be placed on the FTB returns as needed.

Three speakers addressed the Committee. One speaker expressed the concern that it was not in the best interests of the Board of Equalization to use another state agency's publication to pursue the collection of the use tax. The speaker was of the opinion that privacy could be compromised and the proposal could lead to taxpayer profiling. Another speaker noted that use tax reporting should be made more convenient and tax practitioners and tax preparation software developers should be brought into the process to enhance taxpayer education and compliance. A speaker representing the FTB confirmed that the FTB was prepared to implement this proposal.

Board Member Leonard expressed opposition to the proposed action. Board Member Leonard felt that the action was ill-advised for a number of reasons:

- The amount of estimated additional use tax revenue resulting from this proposal is exaggerated.
- The action will cause confusion by blurring the distinction between income taxes and use tax.
- Taxpayers will generally be filing their use tax returns late because they will use the same filing date as for income tax returns.

Board Member Leonard was of the opinion that before the Committee adopted the action, legislation was needed to resolve issues of the due date for use tax returns.

Action 2 – Pursue statutory change to address the issue of due date differences and timely filing of returns

There was no discussion of this action.

**Committee Action/Recommendation/Direction:**

Action 1

The Committee recommended approval of staff's request to add a line to FTB returns regarding use tax obligations related to purchases from out of state retailers.

Action 2

The Committee recommended approval of staff's recommendation to pursue statutory change to address the issue of due date differences and timely filing of returns.

Approved: /s/ John Chiang  
Honorable John Chiang, Committee Chair  
/s/ Timothy W. Boyer  
Timothy W. Boyer, Interim Executive Director

BOARD APPROVED

at the 6-25-03 Board Meeting

/s/ Deborah Pellegrini  
Deborah Pellegrini, Chief  
Board Proceedings Division